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Message Text

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INFO OCT-01 SS-14 ADP-00 EB-03 L-02 H-02 CIAE-00 INR-10

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EA-13 NEA-06 RSR-01 OMB-01 AF-04 /080 W
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FM AMEMBASSY BONN
TO SECSTATE WASHDC 5067
INFO AMEMBASSY LONDON
AMEMBASSY PARIS
AMEMBASSY ROME
AMEMBASSY TOKYO
USMISSION EC BRUSSELS
USMISSION OECD PARIS

C O N F I D E N T I A L SECTION 01 OF 03 BONN 07012

LIMDIS

E. O. 11652: GDS
TAGS: ENRG, EEC, WG
SUBJECT: ENERGY: FRG VIEWS ON
INTERNATIONAL COOPERATION AND EC COMMISSION
PROPOSALS

1. SUMMARY. IN A MAY 15 DISCUSSION WITH THE ECON/ COMMERCIAL MINISTER, LANTZKE (ECONOMICS MINISTRY ASSISTANT SECRETARY FOR ENERGY) ELABORATED EXTENSIVELY FRG VIEWS ON CONSUMER COUNTRY COOPERATION AND EC COMMISSION PROPOSALS. THE FRG BELIEVES A US- EC- JAPANESE CONSULTATIVE MECHANISM IS NECESSARY AND AWAITS U. S. PROPOSALS IN THIS REGARD. IT CONTEMPLATES GREATER FRG AUTHORITY OVER PETROLEUM IMPORTS TO ENABLE IT TO FOLLOW THROUGH ON POSSIBLE UNDERTAKINGS BY CONSUMERS. INCREASINGLY, HOWEVER, THE FRG IS LOOKING FOR CONCRETE ASSURANCE THAT THE PETROLEUM " HAVE- NOTS" WILL BE TAKEN CARE OF IN ANY SUCH COOPERATION
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ARRANGEMENTS. LANTZKE POINTED TO THE EC COMMISSION' S

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PROPOSAL OF A CRUDE OIL POOL AS A SPECIFIC EFFORT TO ADDRESS THIS REQUIREMENT OF THE FRG. END SUMMARY.

2. THE ECON/ COMMERCIAL MINISTER REVIEWED SEVERAL POINTS IN THE PRESIDENT' S ENERGY MESSAGE AND NOTED DR. KISSINGER' S AND UNDER SECRETARY CASEY' S STATEMENTS THAT FURTHER DECISIONS REMAINED TO BE MADE IN THE INTERNATIONAL AREA. DR. LANTZKE NOTED THAT THE CHANCELLOR HAD RETURNED FROM WASHINGTON WITH THE IMPRESSION THAT A SECOND SET OF U. S. DECISIONS, ON CONSUMER COOPERATION AND OTHER INTERNATIONAL ISSUES, WOULD BE TAKEN IN COMING MONTHS. THE EC COMMISSION' S MEMORANDUM ON ENERGY, HE NOTED, INCLUDED A SURPRISINGLY CLEAR ENDORSEMENT OF A TRILATERAL US- EC- JAPANESE CONSULTATIVE BODY ON ENERGY (TO WHICH THE FRENCH, HE ADDED, HAD RAISED NO OBJECTION).

3. LANTZKE SAID THAT THE FRG AGREES THAT A MECHANISM FOR THREE- WAY CONSULTATION IS NECESSARY. THE BRITISH, HE SAID, HAVE SUGGESTED SOMETHING LIKE A TRILATERAL AGREEMENT, AN IDEA ON WHICH HE WAS NOT WILLING TO COMMENT. LANTZKE RAISED FOUR ASPECTS OF EVENTUAL CONSUMER COOPERATION ARRANGEMENTS OF CONCERN TO THE FRG, A) ASSURANCES FOR THE " HAVE- NOTS", B) THE FORUM FOR CONSULTATION, C) AVOIDANCE OF CONFRONTATION WITH PRODUCERS, AND D) THE DEGREE OF GOVERNMENT INTERVENTION NEEDED TO FOLLOW THROUGH ON ANY OBLIGATIONS ASSUMED.

4. ON THE FIRST POINT LANTZKE SEEMED TO CONSIDER THAT IN CONSUMER COOPERATION THE INTERESTS OF COUNTRIES WITH EXTENSIVE OVERSEAS PRODUCTION WERE DIFFERENT FROM THOSE OF THE " HAVE- NOTS." THE U. S. AND THE U. K. HAD A CLEAR INTEREST IN LIMITING BILATERAL DEALS WITH PRODUCING COUNTRIES, BUT THE FRG NEEDED TO ASSURE L) THAT THE GERMAN COMPANIES REMAINED FREE TO EXPAND THEIR ACTIVITY IN PRODUCING AND BUYING CRUDE AND 2) THAT GERMANY HAD EQUITABLE ACCESS TO CRUDE AVAILABLE TO THE INTERNATIONAL COMPANIES AND TO NATIONAL COMPANIES IN PRODUCER COUNTRIES. THIS IS NOT TO SAY THAT THE
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GERMAN GROUP OF COMPANIES WOULD BE EXCLUDED FROM SPECIFIC COMMITMENTS. IN FACT, THE FRG GOVERNMENT COULD UNDERTAKE TO COORDINATE THE FOLLOW THROUGH OF GERMAN COMPANIES ON ANY COMMITMENTS UNDER CONSUMER COOPERATION ARRANGEMENTS. THE FRG IS DISTURBED, HOWEVER, ABOUT REPORTS OF JAPANESE DEALINGS WITH PRODUCER COUNTRY GOVERNMENTS. LANTZKE HAD IN HAND A DPA REPORT FROM TOKYO WHICH CITED THAT THE JAPANESE GOVERNMENT WAS ABOUT TO SIGN LONG- TERM SUPPLY

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AGREEMENTS WITH IRAN, SAUDI ARABIA, KUWAIT AND
ABU DHABI. HE WAS NOT SURE SUCH REPORTS WERE THE
LAST WORD FROM TOKYO OR RUMORS PLANTED BY THOSE
INTERESTED IN UNDERMINING THE BASIS FOR US- EC- JAPANESE
COOPERATION.

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R 161636 Z MAY 73
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TO SECSTATE WASHDC 5068
INFO AMEMBASSY LONDON
AMEMBASSY PARIS
AMEMBASSY ROME
AMEMBASSY TOKYO
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LIMDIS

5. ON THE SECOND AND THIRD POINTS LANTZKE BELIEVED
IT WOULD BE VERY DIFFICULT TO ESTABLISH A NEW
US- EC- JAPANESE BODY ON ENERGY WITHOUT APPEARING TO
FORM AN ANTI- OPEC BLOC, AN IMAGE THE FRG WAS ANXIOUS
TO AVOID. THIS CONSIDERATION ARGUED FOR
ASSOCIATING ANY NEW CONSULTATIVE MECHANISM
WITH THE OECD AND FOR KEEPING IT INFORMAL. THE MORE
SENSITIVE ISSUES MAY STILL HAVE TO BE TREATED IN
COORDINATED BILATERAL DISCUSSIONS.

6. ON THE FOURTH POINT, LANTZKE FELT THERE WAS A
QUESTION HOW FAR GOVERNMENTAL COOPERATION COULD GO
BEFORE GOVERNMENTS, IN CARRYING OUT THEIR RESPECTIVE

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COMMITMENTS, HAD TO SQUEEZE PRIVATE ACTIVITY OUT OF
THEIR ENERGY MARKETS. THIS QUESTION SEPARATED THE
GERMANS AND FRENCH IN THE EC. THE FRENCH WANT A
GOVERNMENT- CONTROLLED MARKET, BECAUSE SUCH CONTROL
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WILL BE NECESSARY FROM TIME TO TIME. THE FRG WAS NOT
WILLING TO ADMINISTER CONTROLS AT TIMES WHEN THEY
WERE NOT NEEDED. THE FRG WOULD, HOWEVER, BE WILLING
TO ADOPT (EC- WIDE) A SUPERVISORY SYSTEM FOR IMPORTS,
INVOLVING LICENSING, IF THE FRG COULD AOMINISTER IT
VERY LOOSELY, E. G. THROUGH AUTOMATIC LICENSING,
EXCEPT WHEN REAL CONTROL WAS NECESSARY. " WHEN
NECESSARY" COULD, FOR THE FRG, ENCOMPASS BOTH PERIODS
OF SHORT- TERM SHORTAGE AND OCCASIONS WHEN CONSUMERS
WERE OBLIGATED TO BOYCOTT EXPROPRIATION OIL (E. G. FROM
BP' S FORMER LIBYAN PROPERTIES).

7. THE ECONOMIC/ COMMERCIAL MINISTER WELCOMED THE EC
COMMISSION MEMORANDUM' S ENDORSEMENT OF INTERNATIONAL
COOPERATION AND COMMISSIONER SIMONET' S RETREAT, IN HIS
STATEMENTS TO CODEL CANNON, FROM SOME OF HIS PREVIOUS
COMMENTS. LANTZKE ALSO FOUND THE FINAL COMMISSION
MEMORANDUM CONSIDERABLY MORE CONSTRUCTIVE THAN EARLIER
VERSIONS. HE NOTED, HOWEVER, THAT PREVIOUS COMMISSION
PAPERS LEFT SOME CAUSE FOR CONCERN AS TO WHAT SOME OF
THE GENERAL LANGUAGE WAS MEANT TO COVER AND AS TO THE
FURTHER EFFORT NEEDED TO MAKE THE CONSTRUCTIVE APPROACH
" STICK". LANTZKE SAID HE WOULD GET A BETTER READING
ON SIMONET' S STATE OF MIND WHEN HE VISITED BONN MAY 16.

8. CONCERNS ABOUT WHAT WORDS MEAN, LANTZKE SAID, WOULD
NOT PREVENT THE FRG FROM APPROVING THE COMMISSION
MEMORANDUM AT THE MAY 22 ENERGY COUNCIL. AT THAT TIME
THE FRG WOULD, HOWEVER, RAISE TWO SUBSTANTIVE PROBLEMS
WITH THE COMMISSION MEMORANDUM. FIRST, WHILE THE FRG
CANNOT OBJECT TO THE COMMISSION' S EXAMINING ANYTHING IT
WANTS, THE FRG HAS SERIOUS DOUBTS THAT
" CONCERTATION" IN THE FORM OF COMMISSION REVIEW OF
COMPANIES INVESTMENT PLANS, 5- YEAR IMPORT PROGRAMS,
TRANSPORTATION ARRANGEMENTS, ETC. WILL LEAD TO ANYTHING
USEFUL. RATHER THAN COMMISSION " CONCERTATION" WITH
FIRMS, THE FRG WOULD PREFER CONSULTATION WITH THE
INDUSTRY BY AN EC BODY CONSISTING OF MEMBER STATE
REPRESENTATIVES AS WELL AS THE COMMISSION. SECOND,
THE FRG WAS NOT HAPPY ABOUT THE NOTION OF " APPROVED
COMPANIES" IF THIS MEANT THAT TWO KINDS OF COMPANIES,
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APPROVED AND UNAPPROVED, WOULD OPERATE IN THE SAME MARKET. LANTZKE CONSIDERED SUCH A SYSTEM IMPRACTICAL, PERHAPS EVEN UNWORKABLE.

9. WE PRESSED LANTZKE AS TO WHETHER THESE VIEWS ON " APPROVED COMPANIES" MEANT THAT THE FRG WAS SIMILARLY COOL TOWARD THE CONCEPT OF BALANCING CRUDE AVAILABILITIES AMONG EC FIRMS. LANTZKE SAID THE RESERVE POOL CONCEPT WAS INTENDED TO ADDRESS THE NEEDS OF THE EC " HAVE- NOTS", PARTICULARLY GERMANY, AND THE FRG COULD NOT OBJECT TO THIS. HE ADDED THAT HIS INITIAL UNDERSTANDING OF THE POOL CONCEPT WAS THAT CRUDE DEFICIT COMPANIES, LIKE GERMANY' S VEBA, WOULD HAVE TO BUY FROM EC CRUDE SUPPLIES COMPANIES RATHER THAN, SAY, NIOC OF IRAN. THIS WAS OBJECTIONABLE TO THE FRG, BUT IT HAD NOW BEEN CLARIFIED THAT THE INTENT OF THE POOL CONCEPT WAS THE OPPOSITE: THAT IS, CRUDE SURPLUS COMPANIES LIKE BP WOULD BE OBLIGATED TO NEGOTIATE FIRST WITH EC CRUDE DEFICIT COMPANIES LIKE VEBA. WE NOTED THAT WE PERSONALLY HAD CONSIDERABLE DIFFICULTY IN SQUARING THIS CONCEPT WITH CONSUMER COUNTRY COOPERATION. LANTZKE SAID THE FRG HAD NO GREAT EXPECTATIONS REGARDING THE EC RESERVE POOL PROPOSAL, BUT LEFT THE CLEAR MESSAGE THAT IT IS AT LEAST AN EFFORT TO

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INR-10 NSAE-00 RSC-01 EB-03 L-02 H-02 SCEM-01 TRSE-00

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TO SECSTATE WASHDC 5069
INFO AMEMBASSY LONDON
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ADDRESS THE PROBLEM OF THE " HAVE- NOTS" IN ANY MEATY COOPERATION ARRANGEMENT AMONG CONSUMERS.

1 O. COMMENT: WE ARE ONCE AGAIN IMPRESSED HOW MUCH AND HOW RAPIDLY FRG VIEWS ON THE ORGANIZATION OF ITS ENERGY MARKET HAVE CHANGED. IMPLICIT, BUT RARELY STATED, IS A NEW ASSESSMENT OF THE INTERNATIONAL COMPANIES' ROLE AND PROSPECTS. THE RESERVE POOL CONCEPT, FOR EXAMPLE, SEEMS TO CONTEMPLATE THE INTERNATIONALS BEING INDUCED TO SPLIT OFF PART OF THEIR CRUDE SOURCES FOR EXCLUSIVE CONTROL BY THEIR COMMUNITY AFFILIATES. (OBVIOUSLY THE COMMUNITY AFFILIATE CAN NOT COMMIT ALL OF THE PARENT' S RESERVES TO A COMMUNITY POOL). THERE SEEMS TO BE A JUDGMENT HERE THAT IT IS NO LONGER ESSENTIAL TO BE TIED INTO THE BROADER POOL REPRESENTED BY EACH INTERNATIONAL' S GLOBAL RESERVES.

11. IN SLIDING ALONG WITH SOME OF THE COMMISSION
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MEMORANDUM' S GENERAL, AND IN PART CONTRADICTORY STATEMENTS ON MARKET ORGANIZATION, THE FRG MUST REALIZE THAT IT IS GIVING GROUND ON QUESTIONS OF PRINCIPLE THAT IT WILL NOT REGAIN IN LATER BATTLES ON IMPLEMENTING REGULATIONS. IN THE END, MUCH OF THE ADJUSTMENT IN ADOPTING COMMON EC POLICIES ON MARKET ORGANIZATION MAY COME IN THE FORM OF THE GERMANS ADOPTING MUCH OF THE SYSTEM THE FRENCH ARE UNWILLING TO GIVE UP.

12. ONE ACHIEVEMENT OF THE GERMANS AND OTHERS IN THE DISCUSSIONS OF THE COMMISSION' S DRAFT MEMORANDUM SEEMS TO HAVE BEEN TO PARR DOWN THE ROLE OF THE COMMISSION, LEAVING OPEN THE POSSIBILITY OF MEMBER GOVERNMENTS EXERCISING MUCH OF THE AUTHORITY THE COMMISSION INITIALLY SOUGHT FOR ITSELF.

13. ON INTERNATIONAL COOPERATION, LONDON IS QUITE RIGHT IN POINTING OUT THE STRONG INFLUENCE OF " HAVE-NOT" STATUS IN GERMAN THINKING. THERE IS SKEPTICISM HERE THAT U. S., AND BRITISH, CONCEPTS OF CONSUMER COOPERATION WILL INCLUDE THE KIND OF ASSURANCES ON EQUITABLE ACCESS TO SUPPLIES THAT THE GERMANS WANT. AN ACCEPTABLE ALLOCATION ARRANGEMENT FOR SHORT-TERM CRISIS SITUATIONS COULD BE NECESSARY INSURANCE FROM BONN' S POINT OF VIEW, BEFORE IT GOES VERY

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FAR ALONG ON COORDINATION OF DEALINGS WITH PRODUCERS.
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*** Current Classification *** CONFIDENTIAL

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Message Attributes

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Draft Date: 16 MAY 1973
Decaption Date: 28 MAY 2004
Decaption Note: 25 YEAR REVIEW
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: boyleja
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
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Enclosure: n/a
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Subject: ENERGY: FRG VIEWS ON INTERNATIONAL COOPERATION AND EC COMMISSION PROPOSALS
TAGS: ENRG, WG, EEC
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TOKYO
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